

## Market conditions remain tight for industrial tenants in Chicago as occupier demand holds strong

Asking rents across the Chicago industrial market continued to track upward in the second quarter, increasing 5.2% quarter-over-quarter to \$5.06 per square foot (psf). More than 18 million square feet (msf) of net absorption was observed this quarter, more than triple the long-term average. Vacancy has tracked downward for four consecutive quarters and stood at 4.5% this quarter, down 210 basis points (bps) from a year ago. The market continued to swell in size, with millions of square feet in new product and nearly 33 million square feet currently under construction. However, given rising face rents as well as tax and operating expenses, many tenants may experience sticker shock at current price points compared with recent years past.

### Flurry of deliveries, construction sustained by solid leasing

More than 10.1 msf of industrial space delivered in the second quarter of 2022, bringing the 2022 year-to-date tally to almost 17 msf of new product. Greater than 2.0 msf alone were completed at properties in Kenosha and Joliet, both of which remain entirely available to occupiers. As evidenced by the market's vacancy decline, tenants were particularly active in the market. Among the largest transactions this period, Uline leased nearly 757,000 sf at a spec warehouse development in Kenosha, where it plans to add 120 jobs. Meanwhile, CEVA Logistics and Expeditors International signed leases totaling just shy of 1.4 msf at Bridge Development's new Bridge Point Melrose Park development.

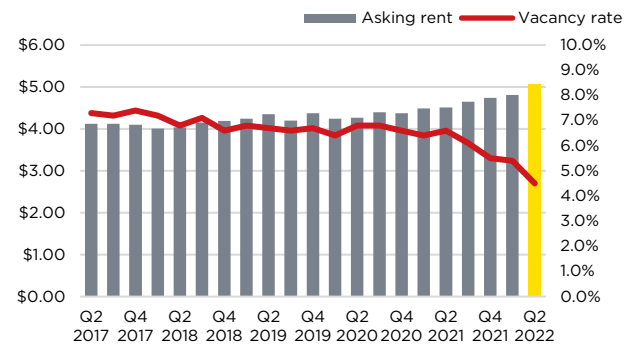
### Options exist for occupiers willing to be flexible

While the market has witnessed tightening conditions over the past year, quality options nevertheless remain for occupiers seeking space. Large blocks of space continue to be available in speculative development, much of which is in more outlying portions of the market. Furthermore, Amazon is looking to offload as much as 10% of its space on the sublease market as it seeks to right-size its portfolio following an exponential expansion in recent years.

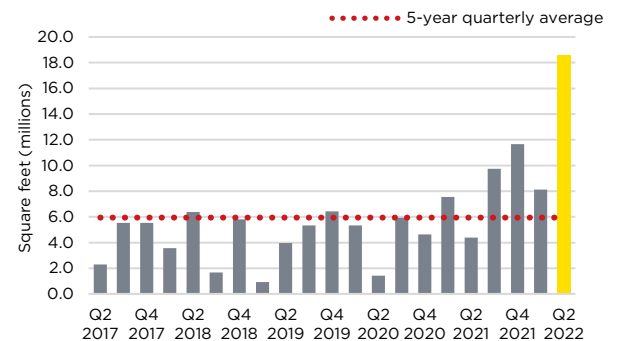
### KEY STATISTICS

	Q2 2021	Q2 2022	y-o-y Change
Inventory	905.4 MSF	934.5 MSF	▲
Vacancy Rate	6.6%	4.5%	▼
Quarterly Net Absorption	4.4 MSF	18.6 MSF	▲
Under Construction	18.4 MSF	32.8 MSF	▲
Deliveries	5.7 MSF	10.1 MSF	▲
Asking Rental Rate	\$4.51	\$5.06	▲

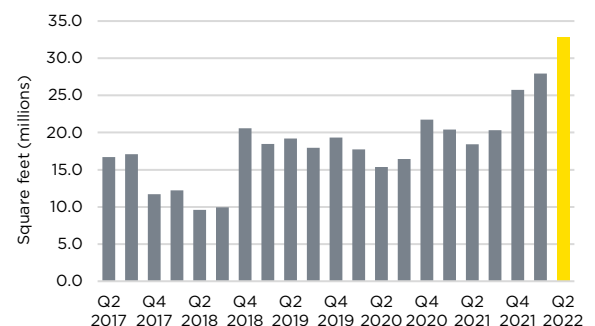
### ASKING RENT AND VACANCY



### NET ABSORPTION



### UNDER CONSTRUCTION



### Outlook

- Vacancy remains just a few percentage points lower than the long-term vacancy average, and a change in market dynamics would potentially alter conditions closer to prior norms
- While the industrial real estate market has prospered for past several years, the short to medium term outlook is clouded by a host of variables including labor supply, inflation, interest rates, recession fears, and geopolitical risk
- Chicago remains and will continue to remain an affordable market as compared to many coastal U.S. markets and, for that reason, will continue to be attractive to occupiers

BY THE NUMBERS

**32.8M**

square feet under construction, well above the historical average

**12.2%**

asking rent growth over the past 12 months

**2.5%**

O'Hare vacancy has declined for six consecutive quarters and is among the tightest submarkets in the region

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Uline	757,000	8311 38 <sup>th</sup> Street	New	Kenosha	Northpoint Development
CEVA Logistics	708,000	10400 W North Avenue	New	West Cook	Bridge Industrial
Expeditors International	670,000	10400 W North Avenue	New	West Cook	Bridge Industrial
RTC	338,000	1251 W 115 <sup>th</sup> Street	New	I-55	ML Realty Partners
HomeWerks Worldwide	261,000	1501 Harris Road	New	Lake County	Dermody Properties

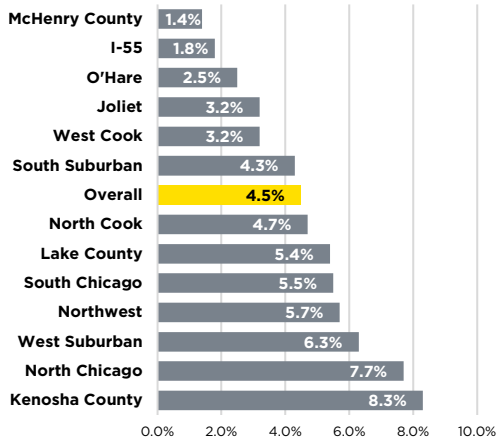
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
High Street Logistics Properties	382,000	365 E North Avenue	\$57,010,000	West Suburban	Link Logistics Real Estate
Ares Industrial REIT	311,000	4404 W Ann Lurie Place	\$31,805,000	South Chicago	KKR
Pritzker Realty Group	270,000	10200 55 <sup>th</sup> Street	\$28,110,000	Kenosha County	Panattoni Development
Extra Space Storage	225,000	8522 S Lafayette Avenue	\$21,150,000	South Chicago	Farpoint Development
SomeraRoad	224,000	170 Holy Hill Road	\$16,600,000	Kenosha County	Allied Plastics

Source: Savills Research

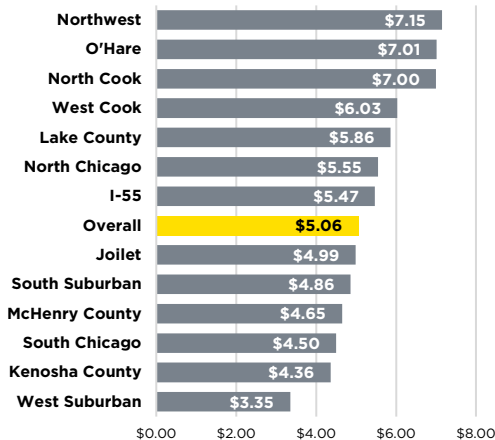
VACANCY RATE COMPARISON

Chicago Industrial Submarkets



RENTAL RATE COMPARISON (\$/SF)

Chicago Industrial Submarkets



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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy and rent data are subject to change due to changes in inventory.

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